Supreme Court, U.S.
FILED

No. 04-40

JUL 2 - 2004
OFFICE OF THE

In The

Supreme Court of the United States

INVENTION SUBMISSION CORPORATION,
a Pennsylvania Corporation,

Petitioner,

v.

JAMES E. ROGAN, Under Secretary of Commerce
for Intellectual Property and Director,
United States Patent and Trademark Office,
U.S. Department of Commerce, in his official capacity,

Respondent.

On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Fourth Circuit

PETITION FOR WRIT OF CERTIORARI

EDWARD B. FRIEDMAN
Counsel of Record
J. STEPHEN PURCUPILE
FRIEDMAN AND FRIEDMAN
900 Fifth Avenue
Pittsburgh, PA 15219
Tel. (412) 261-5834
Fax (412) 261-0350

RICHARD C. SULLIVAN, JR.
REED SMITH, LLP
Suite 1400
3110 Fairview Park Drive
Falls Church, VA 22042-3844
Tel. (703) 641-4200
Fax (703) 641-4340

Attorneys for Petitioner
Invention Submission Corporation

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTIONS PRESENTED

WHETHER *ULTRA VIRES* ACTION BY AN AGENCY WHICH PENALIZES A PARTY THROUGH THE USE OF FALSE OR UNAUTHORIZED ADVERSE PUBLICITY IS FINAL AGENCY ACTION REVIEWABLE UNDER THE ADMINISTRATIVE PROCEDURES ACT (APA)?

PARTIES TO THE PROCEEDING BELOW

Petitioner

Invention Submission Corporation, a Pennsylvania Corporation.

Respondent

James E. Rogan, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office, U.S. Department of Commerce, in his official capacity.

CORPORATE DISCLOSURE STATEMENT

Invention Submission Corporation (ISC) is a subsidiary of Technosystems Consolidated Corporation which is privately held.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
PARTIES TO THE PROCEEDINGS BELOW	ii
CORPORATE DISCLOSURE STATEMENT	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	v
PETITION FOR WRIT OF CERTIORARI	1
I. OPINIONS BELOW	1
II. JURISDICTION	1
III. STATUTORY AND REGULATORY PROVISIONS INVOLVED	1
IV. STATEMENT OF THE CASE	3
V. REASONS FOR GRANTING THE WRIT	8
A. The Writ Should Be Granted to Address the Court's Subject Matter Jurisdiction to Review an Agency's Use of False Adverse Publicity to Penalize	8
B. The Writ Should Be Granted to Resolve Conflicts Between the Fourth Circuit's Narrow Interpretation of Federal Question Jurisdiction in Sanction Cases Under the APA and Decisions of this Court and Other Circuits	9
1. The Fourth Circuit's Exclusion of the *McAnnulty* Doctrine in its Jurisdictional Analysis Is in Direct Conflict with the Other Circuit Court Decisions Addressing this Issue	10

TABLE OF CONTENTS – Continued

Page

2. The Fourth Circuit Did Not Apply the Strong Presumption in Favor of Judicial Review of *Ultra Vires* Agency Action under the APA in Direct Conflict with Decisions of this Court..... 13

3. The Fourth Circuit's Interpretation of Final Agency Action to Exclude Non-regulatory False Adverse Publicity Is in Conflict with Decisions of Other Circuit Courts and Is Inconsistent with Decisions of this Court..... 15

VI. CONCLUSION..... 21

TABLE OF AUTHORITIES

Page

CASES

Abbott Laboratories v. Gardner, 387 U.S. 136, 87 S. Ct. 1507, 18 L. Ed. 2d 681 (1967) 13

Aid Ass'n for Lutherans v. U.S. Postal Service, 321 F.3d 1166 (D.C. Cir. 2003) 12

American School of Magnetic Healing v. McAnnulty, 187 U.S. 94, 23 S. Ct. 33, 47 L. Ed. 90 (1902) ..... *passim*

Barlow v. Collins, 397 U.S. 159, 90 S. Ct. 832, 25 L. Ed. 2d 192 (1970) 13

B.C. Morton Int'l Corp. v. FDIC, 305 F.2d 692 (1st Cir. 1962) 19, 20

Bowen v. Mich. Academy of Family Physicians, 476 U.S. 667, 106 S. Ct. 2133, 90 L. Ed. 2d 623 (1986) 13

Chamber of Commerce of the United States v. Reich, 74 F.3d 1322 (D.C. Cir. 1996) 11, 12

Flue-Cured Tobacco Coop. Stabilization Corp. v. EPA, 313 F.3d 852 (4th Cir. 2002) 14, 18

Foretich v. United States, 351 F.3d 1198 (D.C. Cir. 2003) 19

Gully v. NCUA Bd., 341 F.3d 155 (2nd Cir. 2003) 19

Gutierrez de Martinez v. Lamagno, 515 U.S. 417, 115 S. Ct. 2227, 132 L. Ed. 2d 375 (1995) 13

Hearst Radio, Inc. v. FCC, 167 F.2d 225 (D.C. Cir. 1948) 18

Impro Products, Inc. v. Block, 722 F.2d 845 (D.C.Cir 1984), *cert. denied*, 469 U.S. 931 (1984) 18

TABLE OF AUTHORITIES – Continued

Page

Industrial Safety Equipment Ass'n v. EPA, 837 F.2d 1115 (D.C. Cir. 1988) ..... *passim*

Invention Submission Corp. v. Rogan, 357 F.3d 452 (4th Cir. 2004) ..... *passim*

Joint Anti-Fascist Refugee Comm. v. McGrath, 341 U.S. 123, 71 S. Ct. 624, 95 L. Ed. 817 (1951) (plurality opinion) 19, 20

Leedom v. Kyne, 358 U.S. 184, 79 S. Ct. 180, 3 L. Ed. 2d 210 (1958) 13

Meese v. Keene, 481 U.S. 465, 107 S. Ct. 1862, 95 L. Ed. 2d 415 (1987) 19

R.I. Dept. of Envtl. Management v. United States, 304 F.3d 31 (1st Cir. 2002) 12

Shalala v. Ill. Council On Long Term Care, Inc., 529 U.S. 1, 120 S. Ct. 1084, 146 L. Ed. 2d 1 (2000) 13

Southern Mut. Help Ass'n, Inc. v. Califano, 574 F.2d 518 (D.C. Cir. 1977) 19

The Presbyterian Church (USA) v. United States, 870 F.2d 518 (9th Cir. 1989) 12

STATUTES

5 U.S.C. § 551 ..... 2, 15

5 U.S.C. § 558 ..... 2, 15

5 U.S.C. §§ 701 *et seq.* 2

5 U.S.C. § 702 ..... 2, 7, 11, 20

28 U.S.C. § 1254(1) 1

TABLE OF AUTHORITIES – Continued

Page

28 U.S.C. § 1331 ..... 1, 2, 11, 20

35 U.S.C. § 297 2

OTHER AUTHORITIES

Federal Rule of Civil Procedure 12(b)(1) 6

Federal Rule of Civil Procedure 12(b)(6) 6

H.R. Rep. No. 79-1980, at 40 (1946), *reprinted in* Administrative Procedure Act, Legislative History, 79th Congress, 1944-1946, at 274 (United States Government Printing Office, 1946) 16

H.R. Rep. No. 94-1656, at 10 (1976) 11

37 C.F.R. § 4.1 *et seq.* (2003) 3

PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully requests that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fourth Circuit, entered February 11, 2004, rehearing denied by order dated April 9, 2004.

I.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Fourth Circuit is reported at 357 F.3d 452 (4th Cir. 2004) (Wilkins, Chief Judge, Niemeyer and Shedd, Circuit Judges) and is reprinted in the Appendix hereto at pp. 1-18. The Order and Memorandum Opinion of the United States District Court for the Eastern District of Virginia (Brinkema D.J.) are reported at 229 F. Supp. 2d 498 (E.D. Va. 2002) and are reprinted in the Appendix hereto at pp. 19-28.

II.

JURISDICTION

The opinion of the United States Court of Appeals for the Fourth Circuit was entered on February 11, 2004. A timely filed Petition for Rehearing And Rehearing En Banc was denied on April 9, 2004. The Supreme Court of the United States has jurisdiction to review the judgment of the Court of Appeals pursuant to 28 U.S.C. § 1254(1).

III.

STATUTORY AND REGULATORY PROVISIONS INVOLVED

Federal question jurisdiction is codified at 28 U.S.C. § 1331 and provides as follows:

§ 1331. Federal question

> The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

The Administrative Procedure Act (APA) is codified at 5 U.S.C. § 701, *et seq.*, and provides in relevant part:

702. Right of review

> An action in a court of the United States seeking relief other than money damages and stating a claim that an agency or an officer or employee thereof acted or failed to act in an official capacity or under color of legal authority shall not be dismissed nor relief therein be denied on the ground that it is against the United States or that the United States is an indispensable party.

The definition of "agency action" under the APA is codified at 5 U.S.C. § 551(13) to include:

> the whole or a part of an agency . . . sanction . . . or the equivalent . . . thereof . . .

The APA provides at 5 U.S.C. § 558(b) as follows:

> A sanction may not be imposed . . . except within jurisdiction delegated to the agency and as authorized by law.

"Sanction," as defined at 5 U.S.C. § 551(10),

> . . . includes the whole or a part of an agency – . . . (C) imposition of penalty . . . or (G) taking other compulsory or restrictive action.

The Inventors Rights Act of 1999 (IRA) is codified at 35 U.S.C. § 297 and provides in relevant part as follows:

(d) Records of complaints.

(1) Release of complaints. The Commissioner of Patents shall make all complaints received by the Patent and Trademark Office involving invention promoters publicly available, together with any response of the invention promoters. The Commissioner of Patents shall notify the invention promoter of a complaint and provide a reasonable opportunity to reply prior to making such complaint publicly available.

The regulations of the Patent and Trademark Office are set forth at 37 C.F.R. § 4.1, *et seq.* and provide in relevant part as follows:

> The regulations govern the Patent and Trademark Office's (Office) responsibilities under the Inventors' Rights Act of 1999[.] . . . The Act requires the Office to provide a forum for the publication of complaints concerning invention promoters. The Office will not conduct any independent investigation of the invention promoter. Although the Act provides additional civil remedies for persons injured by invention promoters, those remedies must be pursued by the injured party without the involvement of the Office.

IV.

STATEMENT OF THE CASE

Motivated by specific animus toward ISC, certain officials of the United States Patent and Trademark Office (PTO) have used false adverse publicity to penalize ISC and interfere with ISC's lawful activities. The animus alleged by ISC is evidenced by the conduct of John Calvert, Acting Director of the PTO's Office of Independent

Inventors Programs, who has stated that his "goal in life" is to put invention promotion companies, like ISC, out of business. *See* Complaint, ¶¶ 35-36. Mr. Calvert's conduct has included contacting ISC clients to encourage them to make complaints against ISC. Calvert's arrogance in wielding agency resources against ISC is reflected in his attempts to provoke litigation through his public challenge to ISC to "come and get me. Come and file suit. I'd love you to file suit and take me to federal court, and I'll expose you as the bums you are." Complaint ¶ 37. Furthermore, Mr. Calvert responded to ISC's attempts to obtain agency relief from the PTO's illegal actions by revealing confidential information to ISC critics and mocking ISC's attempts to obtain relief from the agency's abuse.

Intending to cause serious financial harm to ISC, Mr. Calvert and other PTO officials developed a scheme to penalize ISC through the improper use of agency resources and agency influence. In furtherance of this scheme and in willful violation of ISC's rights under the IRA, the PTO orchestrated a media campaign featuring the complaint of one of ISC's clients, Edward Lewis (Lewis). *See* Complaint ¶¶ 18, 20-28, 39-45, and exhibits 1-4. The Lewis complaint was used to proclaim publicly – through press releases, PTO website articles, radio, print and television advertisements – the misleading and untrue message that the PTO had, in effect, determined that Lewis was "scammed" by ISC and that other inventors should not deal with ISC. *See* Complaint ¶¶ 40-45. Although the PTO did not specifically identify ISC by name, the content and context of the publications, as well as the PTO's public efforts connecting ISC to the Lewis complaint, resulted in ISC's existing and potential customers knowing that ISC was the company

featured in the PTO media campaign. *See* Complaint ¶¶ 25-29, 44-45.

The IRA statute, under which Lewis made his Complaint, does not permit the PTO to investigate or make any determination with respect to any consumer complaint or invention promoter response, does not permit public release of a customer complaint outside the neutral forum authorized by Congress, and the PTO has no authority to directly or indirectly interfere with the business activities of invention promoters, like ISC, by making false public accusations against them.[1]

The issue before the Fourth Circuit Court of Appeals was whether the PTO's advertising campaign aimed at ISC with the intent to penalize, constitutes final agency action under the APA so as to be reviewable in court. *Invention Submission Corp. v. Rogan*, 357 F.3d 452, 454; App. p. 11. The Fourth Circuit determined that the PTO's

---

[1] The PTO's "Independent Inventors" web page states in relevant part, as follows:

> . . . The USPTO has no jurisdiction over matters relating to the promotion or utilization of patents or inventions, other than providing a public forum for complaints against invention promoters/promotion firms. The USPTO cannot act for or advise inventors concerning the business transactions or arrangements that are involved in the development and marketing of an invention . . .
>
> * * *
>
> While the USPTO does not investigate complaints or participate in any legal proceedings against invention promoters/promotion firms, under the American Inventors Protection Act of 1999, the USPTO will provide a public forum for the publication of complaints concerning invention promoters/promotion firms. Also, in the forum, the USPTO will publish responses to the complaints from the invention promoters/promotion firms.
>
> Complaint ¶ 7.

conduct was immune from judicial review and remanded this case with instructions to dismiss ISC's claims under FRCP 12(b)(1) for lack of subject matter jurisdiction. The Fourth Circuit explained that "[b]ecause the conduct of the PTO, that is the subject of this action, did not constitute 'final agency action' as used under the APA, the district court did not have subject matter jurisdiction to evaluate the complaint under Rule 12(b)(6) . . ." *Id.* at 460; App. p. 16.

The Fourth Circuit narrowly interpreted the scope of review of agency action under the APA to apply only to statements which have "regulatory effect." *Id.* at 460; App. p. 15. Under the Fourth Circuit's jurisdictional methodology all other statements are deemed to be in the nature of nonreviewable policy statements regardless of whether the statements are false, *ultra vires*, motivated by malice, or intended to penalize. On this basis, the Fourth Circuit held that the PTO's media campaign allegedly involving the use of false or unauthorized adverse publicity to penalize ISC was not subject to judicial review because the "text" itself did not have a "regulatory effect," that is, "the content of the [PTO's media] campaign was not the consummation of any decisionmaking process that determined rights or obligations or from which legal consequences flowed." *Id.* at 459; App. pp. 14-15.

The Fourth Circuit rejected the interpretation of "agency action" set forth by the District of Columbia Circuit in *Industrial Safety Equipment Ass'n v. EPA*, 837 F.2d 1115 (D.C. Cir. 1988), which includes the use of false or unauthorized adverse publicity to penalize within the definition of the "sanction" component of the APA. Instead, the Fourth Circuit adopted a narrow interpretation of "agency action" which excludes an agency's use of false adverse publicity to penalize. Under the Fourth Circuit's

reasoning, the PTO's attempt to manipulate the public's perception of ISC is not subject to judicial review because the resulting change in perception "cannot be imputed to the PTO for purposes of determining whether its conduct was a final agency action." 357 F.3d at 460; App. p. 15. The Fourth Circuit does not discuss in its opinion the conflict which its decision creates with the decisions of this Court and other circuit courts which have found that the risk of harm to reputation caused by unlawful *ultra vires* action is a sufficient basis for federal courts to assert jurisdiction.

The Fourth Circuit's narrow interpretation of the APA, in effect, eliminates nonregulatory *ultra vires* conduct as a basis for judicial review. *Id.* at 457-460; App. pp. 8-16. The Fourth Circuit rejected ISC's argument that jurisdiction vested as a result of the PTO's willful disregard of the restrictions imposed by Congress under the IRA, which mandate governmental neutrality and prohibit the PTO from making false public accusations or from making any determination with respect to any customer complaint.

The Fourth Circuit concluded that the *McAnnulty* Doctrine is "a doctrine . . . apart from the APA." *Id.* at 457; App. p. 9. The Fourth Circuit did not reconcile its narrow interpretation of federal question jurisdiction with the clearly expressed intent of Congress to provide broad federal question jurisdiction any time *ultra vires* agency conduct is challenged in court. The Fourth Circuit did not discuss the decisions of the other circuits which have concluded that the *McAnnulty* doctrine has been incorporated into the court's federal question jurisdiction and scope of "agency action" under the APA, 5 U.S.C. § 702. Furthermore, rather than discussing the "strong presumption" in favor of judicial review of *ultra vires* agency action recognized by this Court, the Fourth Circuit instead

concluded that "this type of a campaign is 'properly challenged through the political process and not the courts.'" 357 F.3d at 460; App. p. 15.

V.

REASONS FOR GRANTING THE WRIT

A. The Writ Should Be Granted to Address the Court's Subject Matter Jurisdiction to Review an Agency's Use of False Adverse Publicity to Penalize.

Under the "regulatory effect" standard applied by the Fourth Circuit, an agency harboring malice toward a specific company has the absolute and unchecked power to utilize the full force of agency resources to illegally penalize that company through the use of false or unauthorized adverse publicity. An agency, like the PTO, is free to disregard its statutory mandates and sanction a company for no other reason than the personal dislikes of agency officials. A company like ISC, harmed by the illegal and malicious publication of false information, is denied judicial relief because the use of false or unauthorized adverse publicity as a penalty does not satisfy the Fourth Circuit's narrow definition of final agency action.

This narrowing of the court's subject matter jurisdiction by the Fourth Circuit to exclude all non-regulatory conduct from judicial review raises important and recurring issues relating to the scope of federal question jurisdiction to review *ultra vires* agency action and whether an agency's unauthorized use of libelous publicity is sufficient to support jurisdiction. The jurisdiction of the court in such circumstances is necessary to protect individuals from the absolute uncontrolled and arbitrary action of

agency officials whose actions are unauthorized by any law and are in violation of the individual's federal statutory rights.

B. The Writ Should Be Granted to Resolve Conflicts and Inconsistencies Between the Fourth Circuit's Narrow Interpretation of Federal Jurisdiction Limiting Review Under the APA and Decisions of this Court and Other Circuits

With the exception of the Fourth Circuit's decision in the instant case, all courts that have spoken on related issues have recognized broad subject matter jurisdiction under federal question jurisdiction, as amended, to review the *ultra vires* actions of a governmental agency. In addition, this Court, as well as several circuit courts, have found jurisdiction to review an agency's actions which cause a risk of reputational harm. Thus, the scope of the court's federal question jurisdiction to review final agency action under the APA should be construed broadly enough to confer subject matter jurisdiction to afford injunctive and declaratory relief to a party harmed by an agency's punitive use of false adverse publicity.

The Fourth Circuit's application of a "regulatory effects" standard to limit the scope of the court's jurisdiction to review final agency action under the APA runs counter to the decisions of other circuits. The Fourth Circuit's narrow interpretation of its jurisdiction to review final agency action under the APA is in direct conflict and/or is inconsistent with: 1) statutory and case authority establishing the *McAnnulty* doctrine as part of federal question jurisdiction; 2) the presumption that Congress intended that courts assume responsibility for enforcing the limits of agency authority; 3) the interpretation of

reviewable final agency action set forth by the District of Columbia Circuit in *Industrial Safety*, *supra*, and the many decisions recognizing that unlawful *ultra vires* action causing harm to reputation is subject to judicial review, including under the APA.

The "regulatory effects" standard arbitrarily treats all agency publicity the same – whether in the form of a report, press release or advertising campaign, whether *ultra vires* or not, whether motivated by malice or not, and whether libelous or not – all agency publications become either regulatory in nature and subject to judicial review or categorized as nonreviewable policy statements. Contrary to the standard set forth in *Industrial Safety*, *supra*, this regulatory effects standard provides broad immunity for an agency's use of adverse defamatory publicity and in essence requires the court to relinquish authority granted by Congress to review all *ultra vires* actions of a federal agency.

The writ should be granted to resolve these important and recurring conflicts over the court's subject matter jurisdiction and the court's authority to intervene where, as in the instant case, an agency out of control penalizes a company through the use of false adverse publicity based on the animus of agency officials.

1. The Fourth Circuit's Exclusion of the *McAnnulty* Doctrine in Its Jurisdictional Analysis Is in Direct Conflict With Other Circuit Court Decisions Addressing This Issue

Judicial review of *ultra vires* agency conduct is one of the essential functions of the courts and has been recognized for more than a century as the *McAnnulty* Doctrine. This right to judicial review has been described as follows:

> [A]cts of all [a government department's] officers must be justified by some law, and in case an official violates the law to the injury of an individual the courts generally have jurisdiction to grant relief . . . Otherwise the individual is left to the absolute uncontrolled and arbitrary action of a public and administrative officer whose action is unauthorized by any law, and is in violation of the rights of the individual.

Chamber of Commerce of the United States v. Reich, 74 F.3d 1322, 1327 (D.C. Cir. 1996) (*quoting American School of Magnetic Healing v. McAnnulty*, 187 U.S. 94, 108, 23 S. Ct. 33, 47 L. Ed. 90 (1902)).

In 1976, Congress restructured federal question jurisdiction in order to provide for *McAnnulty* type review in the context of federal question jurisdiction and the APA. As amended, federal question jurisdiction and the APA's waiver of sovereign immunity, which are the underpinnings for the court's subject matter jurisdiction to review final agency action under the APA, provide jurisdiction for the court to review agency actions such as those of the PTO in the instant case.

Congress emphasized its intent to place fundamental responsibility on the judiciary to review all *ultra vires* agency action because: "[o]nly if citizens are provided with access to judicial remedies against Governmental officials and agencies will we realize a government truly under law." H.R. Rep. No. 94-1656, at 10 (1976). To accomplish these goals Congress amended 18 U.S.C. § 1331 to provide federal question jurisdiction in all cases challenging *ultra vires* agency action, and added language to § 702 of the APA in order to provide broad waiver of sovereign immunity. Together these amendments serve to allow judicial

review of *ultra vires* actions or inactions of any agency under color of federal law where equitable relief is requested.

The other circuit courts that have addressed the relationship between the *McAnnulty* Doctrine and federal question jurisdiction and the APA, as amended by Congress, have concluded that the *McAnnulty* Doctrine has been incorporated into federal question jurisdiction and the waiver of sovereign immunity codified in § 702 of the APA. *The Presbyterian Church (USA) v. United States*, 870 F.2d 518 (9th Cir. 1989); *Chamber of Commerce of the United States v. Reich*, *supra*.; *Aid Ass'n for Lutherans v. U.S. Postal Service*, 321 F.3d 1166 (D.C. Cir. 2003); *See also R.I. Dept. of Envtl. Management v. United States*, 304 F.3d 31 (1st Cir. 2002).

In concluding that the court's subject matter jurisdiction under the *McAnnulty* Doctrine is separate from federal question jurisdiction and the APA, the Fourth Circuit's decision is in direct conflict with decisions of the District of Columbia Circuit and the Ninth Circuit. *Id.* For example, in *Aid Ass'n for Lutherans v. U.S. Postal Service*, *supra*, the court relied on the *McAnnulty* Doctrine in holding that *ultra vires* agency action is not immune from judicial review under the APA even where the agency's actions are otherwise statutorily exempt from judicial review under the APA. *Id.* at 1173-1174 (citations omitted). This case shows that contrary to the decision of the Fourth Circuit in the instant case, an agency may not avoid judicial review where the agency acts in an unlawful manner.

2. The Fourth Circuit Did Not Apply the Strong Presumption in Favor of Judicial Review of *Ultra Vires* Agency Action under the APA in Direct Conflict with Decisions of this Court

Consistent with the *McAnnulty* Doctrine, this Court has repeatedly afforded judicial review where the *ultra vires* actions of an agency are challenged based, in part, on the presumption that Congress intended that courts assume responsibility for enforcing the limits of agency authority. In this regard, "federal judges traditionally proceed from the 'strong presumption that Congress intends judicial review' . . . [and] judicial review of executive action 'will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.'" *Gutierrez de Martinez v. Lamagno*, 515 U.S. 417, 424, 115 S. Ct. 2227, 132 L. Ed. 2d 375 (1995) (*quoting Bowen v. Mich. Academy of Family Physicians*, 476 U.S. 667, 670, 106 S. Ct. 2133, 90 L. Ed. 2d 623 (1986) and *Abbott Laboratories v. Gardner*, 387 U.S. 136, 140, 87 S. Ct. 1507, 18 L. Ed. 2d 681 (1967)); *See also Barlow v. Collins*, 397 U.S. 159, 166, 90 S. Ct. 832, 25 L. Ed. 2d 192 (1970) (*citing Leedom v. Kyne*, 358 U.S. 184, 79 S. Ct. 180, 3 L. Ed. 2d 210 (1958) and *American School of Magnetic Healing v. McAnnulty, supra*); *Bowen v. Mich. Academy of Family Physicians, supra,* at 681 (Congress "expects the courts to grant relief when an executive agency violates such a command. . . ."); *Shalala v. Ill. Council On Long Term Care, Inc.*, 529 U.S. 1, 44, 120 S. Ct. 1084, 146 L. Ed. 2d 1 (2000), (Thomas dissenting) ("Our constitutional structure contemplates judicial review as a check on administrative action that is in disregard of legislative mandates or constitutional rights.").

In the instant case, Congress placed specific restrictions on the PTO with respect to the manner and context in which the PTO was authorized to make customer complaints publicly available. The IRA does not permit the PTO to make public accusations against invention promoters like ISC. The IRA does not allow the PTO to investigate customer complaints or use a complaint in a media campaign to falsely accuse ISC of dishonesty and of being a "scam." In fact, the IRA does not permit the PTO to disseminate complaints outside the neutral forum in which the customer complaint and the response of the invention promoter are together made available to the public.

Rather than applying the strong presumption favoring judicial review of the PTO's *ultra vires* action the Fourth Circuit relegated responsibility for PTO compliance with the IRA back to the legislature. The Fourth Circuit concluded that the PTO's actions in featuring the Lewis complaint in a media campaign, which accused ISC of dishonesty and of being a "scam," even if intended to penalize ISC, was nothing more than a policy statement for which Congress presumptively did not intend to "create private rights of actions." 357 F.3d at 459; App. pp. 12-13. Relying on the perceived analogy between the PTO's conduct penalizing ISC and a case involving the EPA's authorized report on second hand smoke, the Fourth Circuit concluded that the PTO's media campaign, like the EPA report, was "properly challenged through the political process and not the courts." *Id.* at 459 (*quoting Flue-Cured Tobacco Coop. Stabilization Corp. v. EPA*, 313 F.3d 852 (4th Cir. 2002)); App. p. 15.

The Fourth Circuit did not apply the strong presumption that Congress intends for courts to provide judicial

review under the APA to persons adversely affected or aggrieved by the PTO's *ultra vires* actions. As applied in the instant case, the strong presumption required the Fourth Circuit to provide judicial review under the APA and after affording review, to grant injunctive and declaratory relief if appropriate.

3. The Fourth Circuit's Interpretation of Final Agency Action to Exclude Non-regulatory False Adverse Publicity Is in Conflict with Decisions of Other Circuit Courts and Is Inconsistent with Decisions of this Court.

The scope of the court's general federal question jurisdiction to review final agency action under the APA should be construed broadly enough to confer subject matter jurisdiction to afford judicial review to a party harmed by an agency's punitive use of false or unauthorized adverse publicity. "Agency Action" is statutorily defined to include " . . . the whole or a part of an agency . . . sanction, . . . or the equivalent . . . thereof . . ." 5 U.S.C. § 551. The drafters of the APA recognized that adverse publicity, such as that alleged by ISC, may constitute a sanction because of the resulting harm to reputation. The Report of the House Judiciary Committee on the APA stated as follows with respect to § 9(a) [currently 5 U.S.C. § 558]:

> . . . no publicity should reflect adversely upon any person, organization, product, or commodity of any kind in any manner otherwise than as required to carry on authorized agency functions and necessary in the administration thereof. It will be the duty of agencies not to permit informational

> releases to be utilized as penalties or to the injury of parties.

H.R. Rep. No. 79-1980, at 40 (1946), *reprinted in* Administrative Procedure Act, Legislative History, 79th Congress, 1944-1946, at 274 (United States Government Printing Office, 1946). Consistent with this legislative intent, final agency action under the APA should include false or unauthorized publicity utilized by a federal agency intent on penalizing a company, in accordance with the standard in *Industrial Safety Equipment Ass'n v. EPA*, *supra*.

In *Industrial Safety*, the United States Court of Appeals for the District of Columbia Circuit set forth a standard for judicial review of adverse publicity under the APA. The underlying facts in *Industrial Safety* involved a report published by the EPA and NIOSH recommending that "supplied-air" respirators be used for maximum protection against asbestos exposure. The report was published pursuant to the agency's authority to disseminate health information to the public. Plaintiff sought declaratory and injunctive relief asserting that the agency publication had the effect of unlawfully decertifying eleven respirator types which were permitted to be used, but were not recommended. There are two parts to the court's decision, one part addressing the report as a possible sanction, and the other part addressing whether the report amounted to rule-making, which is not an issue in the instant case.

With respect to sanction, the court suggested that an agency's use of false or unauthorized adverse publicity to penalize is subject to judicial review under the APA. Where internal restraint fails to prevent punitive use of adverse publicity, courts have a "duty" to examine the

circumstances of the information release to determine whether there is a remedy under the APA. *Id.* The court held that the EPA report before it did not rise to the level of a sanction because the plaintiff did not offer any evidence that the agency intended to penalize or that the agency publication was false. *Id.* at 1119.

In the instant case, ISC has alleged facts sufficient to establish that the PTO's media campaign made false accusations against ISC and was intended to penalize ISC. In fact, as a result of specific animus toward ISC, PTO officials acted to penalize ISC by improperly using agency resources to produce a media campaign featuring the Lewis Complaint. The PTO's intent was to use its influence to manipulate the public's perception by falsely accusing ISC of dishonesty and of being a "scam." The PTO, in effect, misrepresented to the public that it had determined that the ISC customer whose complaint was featured in the media campaign had been "scammed" by ISC and that other inventors should not deal with ISC.

Under the Fourth Circuit's regulatory effects standard, the PTO's conduct remains immune from judicial review so long as the PTO does not directly give regulatory effect to its false accusations. In the words of the Fourth Circuit, the "text" of the media campaign must reflect that it is the "consummation" of the PTO's decisionmaking process resulting in a formal determination of "rights or obligations or from which legal consequences flowed." 357 F.3d at 459-460; App. p. 14. This standard leaves unchecked the type of sanction which the PTO directed at ISC, that is, closed door schemes motivated by the personal dislikes of an agency, which are intended to cause serious financial harm to specific individuals or companies through false accusations of dishonesty.

In support of its narrow interpretation of final agency action, the Fourth Circuit relied on the District of Columbia Circuit decision in *Hearst Radio*, "holding that 'agency action,' including its component term 'sanction,' does not include an agency's publication of a report, even if the report is false and amounts to libel causing actual damage." 357 F.3d at 457-458; App. p. 10. By analogy, the Fourth Circuit concluded that even if inventors decided not to deal with ISC due to the libelous accusations contained in the PTO's advertising campaign, the PTO's actions are not the type of conduct that constitutes agency action that is reviewable in court under the APA. *Id.* at 459 (*citing Hearst Radio, Inc. v. FCC*, 167 F.2d 225 (D.C. Cir. 1948)); App. p. 14. Under the Fourth Circuit's interpretation of the APA, all non-regulatory accusations of dishonesty are deemed to be in the nature of nonreviewable policy statements and the harm to reputation caused by the use of false or unauthorized adverse publicity is deemed to be "objectionable impression," which under *Flue-Cured Tobacco* is an "indirect effect." *Id.* at 459-460; App. pp. 12-15.

The Fourth Circuit's narrow interpretation of "agency action" and its reliance on the District of Columbia Circuit decision in *Hearst Radio* to support such a narrow interpretation is in conflict with the decisions of other circuits which have afforded judicial review where an agency causes harm to reputation. The *Hearst Radio* holding, granting absolute immunity to an agency's unauthorized use of defamatory adverse publicity, is an isolated case which has, prior to the decision in the instant case, been widely criticized. *Industrial Safety*, *supra*; *See also Impro Products, Inc. v. Block*, 722 F.2d 845, 849 (D.C. Cir. 1984), *cert. denied,* 469 U.S. 931 (1984) (stating "we find it

troubling that literal adherence to the Hearst Radio rule in a case like this one would preclude judicial review under the APA of an agency's dissemination of information that is concededly false . . .''). Furthermore, there are many circumstances, such as in the instant case, where the risk of harm to reputation caused by agency action cannot be dismissed as "indirect" but rather constitutes a sufficiently "cognizable injury" to support jurisdiction in federal court. *Meese v. Keene*, 481 U.S. 465, 107 S. Ct. 1862, 95 L. Ed. 2d 415 (1987); *Joint Anti-Fascist Refugee Comm. v. McGrath*, 341 U.S. 123, 71 S. Ct. 624, 95 L.Ed. 817 (1951) (plurality opinion); *Foretich v. United States*, 351 F.3d 1198 (D.C. Cir. 2003); *Gully v. NCUA Bd.*, 341 F.3d 155 (2nd Cir. 2003); *Southern Mut. Help Ass'n, Inc. v. Califano*, 574 F.2d 518 (D.C. Cir. 1977); *B.C. Morton Int'l Corp. v. FDIC*, 305 F.2d 692 (1st Cir. 1962).

In *B.C. Morton, supra,* the First Circuit was presented with virtually the same type of agency abuse and resulting imminent harm to reputation and lawful business activities as presented in the instant case. In *B.C. Morton*, plaintiff alleged that the FDIC had issued a press release which, although not naming the plaintiff, contained deliberate misrepresentations intended to destroy plaintiff's business. The First Circuit found that where an agency targets a specific company with the intent to interfere with lawful business activities, the court may grant relief based on the threatened injury regardless of whether or not the *ultra vires* use of adverse publicity has regulatory impact. The court in *B.C. Morton* concluded that it is "unrealistic" to impose a regulatory effect requirement – "We long have granted relief to parties whose legal rights have been violated by unlawful public action, although such action made no direct demands upon

them. . . ." *B.C. Morton*, *supra* at 698 (*quoting* Justice Burton who authored the plurality opinion in *Joint Anti-Fascist Committee*, *supra*).

The 1976 amendments to 28 U.S.C. § 1331 and § 702 of the APA reflect Congress' intention to provide for judicial review under federal question jurisdiction and the APA where an agency acts *ultra vires* through use of false adverse publicity with the intent to penalize. The District of Columbia Circuit has recognized that final agency action may encompass an agency's use of false adverse publicity even though it lacks regulatory effect and compels no action. *See Industrial Safety*, *supra*, at 1117-1118 (court declined to adopt the EPA's assertion "that only legally binding [agency] publications can ever be reviewable.")

In the instant case, the PTO used its resources to feature a customer complaint in its nationwide media campaign, in violation of a federal statute, with the intent to penalize ISC through the use of false adverse publicity because it harbored a specific animus toward ISC. The PTO's media campaign targeting ISC does not involve the PTO's policymaking process, is not regulatory, but instead, is alleged to be in furtherance of a scheme to penalize ISC through false and misleading accusations of dishonesty and wrongdoing intended to cause serious financial harm to ISC. The court should have federal question jurisdiction to review such conduct and grant relief where appropriate.

CONCLUSION

For the foregoing reasons Petitioner respectfully requests that this Court grant its petition for writ of certiorari to review the decision of the United States Court of Appeals for the Fourth Circuit.

Respectfully submitted,

EDWARD B. FRIEDMAN
Counsel of Record
J. STEPHEN PURCUPILE
FRIEDMAN AND FRIEDMAN
900 Fifth Avenue
Pittsburgh, PA 15219
Tel. (412) 261-5834
Fax (412) 261-0350

RICHARD C. SULLIVAN, JR.
REED SMITH, LLP
Suite 1400
3110 Fairview Park Drive
Falls Church, VA 22042-3844
Tel. (703) 641-4200
Fax (703) 641-4340

Attorneys for Petitioner
Invention Submission Corporation

357 F.3d 452

No. 02-2461

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

INVENTION SUBMISSION CORPORATION, a Pennsylvania Corporation, Plaintiff-Appellant, v. JAMES E. ROGAN, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office, U.S. Department of Commerce, in his official capacity, Defendant-Appellee.

October 30, 2003, Argued
February 11, 2004, Decided

COUNSEL: Edward B. Friedman, FRIEDMAN & FRIEDMAN, Pittsburgh, Pennsylvania, for Appellant.

Rachel Celia Ballow, Assistant United States Attorney, Alexandria, Virginia, for Appellee.

ON BRIEF: J. Stephen Purcupile, Carolyn M. Corry, FRIEDMAN & FRIEDMAN, Pittsburgh, Pennsylvania; Richard C. Sullivan, Jr., REED SMITH, L.L.P., Falls Church, Virginia, for Appellant.

Paul J. McNulty, United States Attorney, Alexandria, Virginia, for Appellee.

JUDGES: Before WILKINS, Chief Judge, and NIEMEYER and SHEDD, Circuit Judges. Judge Niemeyer wrote the opinion, in which Chief Judge Wilkins and Judge Shedd joined.

OPINION BY: NIEMEYER

OPINION: NIEMEYER, Circuit Judge:

Invention Submission Corporation commenced this action under the Administrative Procedure Act ("APA") against James E. Rogan in his official capacity as Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("PTO"), alleging that the PTO's 2002 advertising campaign to alert the public about "invention promotion scams" was aimed at Invention Submission to penalize it and ultimately put it out of business. Invention Submission alleged that the advertising campaign was an illegal final agency action that was arbitrary and capricious and exceeded any statutory authority conferred on the PTO.

On the PTO's motion to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(1), based on the ground that the PTO advertising campaign was not a "final agency action" and therefore that the district court lacked subject matter jurisdiction, the district court dismissed the action. *See Invention Submission Corp. v. Rogan,* 229 F. Supp. 2d 498 (E.D. Va. 2002). The district court, however, acted under Federal Rule of Civil Procedure 12(b)(6), concluding that "under any set of facts that could be proved consistent with the [complaint's] allegations," no relief could be granted to Invention Submission.

Reviewing the district court's order *de novo,* we agree that the complaint must be dismissed, but not under Rule 12(b)(6). As we explain below, we conclude that because the PTO's advertising campaign was not a final agency action – a conclusion that the district court also reached in its opinion – the district court had no subject matter jurisdiction to review it. *See* 5 U.S.C. § 704. We must therefore vacate the district court's order of October 30, 2002, as well

as the supporting opinion, and remand with instructions to dismiss Invention Submission's complaint for lack of subject matter jurisdiction.

I

Congress enacted the Inventors' Rights Act of 1999, 35 U.S.C. § 297, to protect inventors from invention promotion scams and the deceptive advertising related to them by authorizing the PTO to publicize complaints that it receives against invention promoters. *See* 145 Cong. Rec. S14521 (Nov. 10, 1999). The Act and the regulations adopted under it impose a duty on the PTO "to provide a forum for the publication of complaints concerning invention promoters." 37 C.F.R. § 4.1; *see also* 35 U.S.C. § 297(d). The Act and regulations do not, however, authorize the PTO to conduct any independent investigations of invention promoters, authorizing instead enforcement by injured persons through civil actions. *See* 35 U.S.C. § 297(b), (d); 37 C.F.R. § 4.1.

In connection with its duty to publicize complaints concerning invention promoters, the PTO initiated an advertising campaign in January 2002 to alert the public to "invention promotion scams," and its advertisements stated, "Make sure your ideas – and your money – don't wash away. To learn more, call the U.S. Patent and Trademark Office toll-free." In launching the media campaign, the PTO stated in a press release:

> This week, the United States Patent and Trademark office (USPTO) unveils a television and radio campaign in five media markets to counter the flood of deceptive advertising aimed at

> America's independent inventors. . . . The Agency also will be placing print ads. . .
>
> "USPTO's ads caution inventors that 'if it sounds too good to be true, it is,'" said James E. Rogan, Under Secretary of Commerce for Intellectual Property. "Our ads offer practical information, guiding inventors to USPTO's Office of Independent Inventor Programs, where they can get real help with patenting and marketing their inventions."
>
> Every year invention promotion scams cost U.S. inventors an estimated $200 million. The spots feature an actual inventor, Edward Lewis, who lost several thousand dollars.

In the print advertising published by the PTO, Edward Lewis is quoted as saying, "I spent $13,000 and three years 'spinning my wheels' with a company that promised my idea would make lots of money. They were right. It made lots of money . . . *for them.* I haven't seen a penny."

A journalist for a cable television network, who saw the PTO's advertising campaign, contacted the PTO and requested contact information for Lewis. After the PTO provided the information, the cable television network interviewed Lewis and published a story that revealed that, in the PTO-published quotation of Lewis, Lewis was referring to his relationship with Invention Submission Corporation, an invention promoter. The article revealed that Lewis had filed a complaint with the PTO in August 2001 that was "being processed." The article also revealed that Invention Submission was one of several companies investigated by the FTC in the 1990s "for misrepresentation in patent marketing schemes." It stated that in 1994, "without admitting or denying guilt, the company agreed

to pay a $1.2 million settlement for refunds in the case, as well as change its business practices." The article included Invention Submission's response to Lewis' accusations that "it did nothing wrong, that neither its representatives nor commercials misled Lewis or any other inventor."

Edward Lewis, from Sicklerville, New Jersey, who invented "BodyGuard" to "shield automobile paint while tough wheel-cleaning products do their work," had indeed filed a complaint with the PTO against Invention Submission on August 1, 2001, and the PTO sent a copy of the complaint for response to Invention Submission on March 1, 2002. Sometime before March 26, 2002, Invention Submission and Lewis resolved Lewis' complaint, and, on that date, Lewis withdrew his complaint from the PTO. Accordingly, Invention Submission advised the PTO that it was not submitting a response to the complaint, and the PTO did not post Lewis' complaint on the agency's web site.

A few months after Lewis withdrew his complaint from the PTO, Invention Submission commenced this action against the PTO under the APA, alleging that because the PTO was authorized only to receive customer complaints, provide invention promoters with notice and reasonable opportunity to respond, and provide a forum to publicize complaints and responses, the PTO exceeded its authority in publicizing Lewis' complaint in its media advertising and illegally used the public media to single out Invention Submission to penalize it. As it alleged:

> [T]he PTO intentionally publicized ISC [Invention Submission] as the invention company which was the subject of the Lewis complaint, for the purpose of stigmatizing ISC.

* * *

> The PTO knew that, if the Lewis complaint was not withdrawn, and was subsequently made publicly available on the PTO's web site under the [Inventors' Rights Act], ISC would be further identified with the PTO's unfair and untrue television and print advertisements, and an additional link would be established between ISC and the PTO's statements about "scams" and false promises of money to Lewis.
>
> * * *
>
> The PTO thereby knowingly violated the [Inventors' Rights Act's] requirement that it make the Lewis complaint publicly available only in a neutral forum, without comment or judgment, together with ISC's response.

In addition, Invention Submission's complaint alleged that John Calvert, the Acting Director of the Office of Independent Inventor Programs at the PTO, "demonstrated [an] animus of the PTO against ISC when he stated an intention to solicit and investigate customer complaints despite the PTO's lack of authority to do this." Invention Submission's complaint described a meeting of inventors at which Calvert was alleged to have said:

> The only way that we do not post it [a customer complaint] is if you withdraw it, and we have one company that Bob . . . and I were talking about that has a tendency to settle quickly . . . but we're going to get them up there yet. We got to find somebody that doesn't want to settle and get their name on our Internet, on the Internet site, and we will have them up eventually. We have one up there now, and you can look at it.

The complaint concluded with allegations that in pursuing these actions directed against Invention Submission, the PTO "has taken final agency actions in the nature of imposing sanctions and/or failing to act in accordance with the [Inventors' Rights Act] and the regulations," and therefore, under the APA, the actions were "arbitrary, capricious, an abuse of discretion[,] . . . contrary to constitutional right[,] in excess of statutory jurisdiction, authority, or short of statutory right." Invention Submission sought declaratory and injunctive relief, as well as attorneys fees.

The PTO filed a motion to dismiss Invention Submission's complaint for lack of subject matter jurisdiction, asserting that the federal courts could review only "final agency actions" and that the PTO's alleged conduct did not qualify as a final agency action. The district court granted the PTO's motion, but it did so under Federal Rule of Civil Procedure 12(b)(6). The court assumed the facts of the complaint to be true and concluded that "it is clear as a matter of law that no relief could be granted under any set of facts that could be proved consistent with the allegations." The court ruled first that because it was Lewis, not the PTO, who identified Invention Submission, it could only be speculation that the PTO was referring to Invention Submission by quoting Lewis in the advertising. Focusing on Calvert's statements, the district court observed that they were merely consistent with the congressional intent behind passage of the Inventors' Rights Act that "invention promotion scams harm individual inventors and ought to be eliminated." In addition, the court concluded that such statements could not be considered agency action. The district court also found that any harm sustained by Invention Submission was indirect because it

was not based directly upon what the PTO included in its advertising campaign. Therefore, the court concluded, "The PTO's publications in this case were merely generic advertisements of agency programs not specifically naming the plaintiff. Any harm to the plaintiff was, at most, indirect." Finally, the district court rejected the plaintiff's contention that PTO violated its own regulations by using the media to enforce a private complaint. It concluded:

> Even if plaintiff could demonstrate that the defendant violated agency regulations, an agency's failure to follow its own regulations is only actionable under the APA if it results in a final agency action. A violation of agency regulations alone, absent some harm to the plaintiff, is not reviewable. As discussed above, plaintiff has not alleged any specific harm caused by the defendant's actions.

Accordingly, the district court entered an order dated October 30, 2002, dismissing the complaint "with prejudice."

This appeal followed.

II

Invention Submission contends that PTO's advertising campaign was both false and unauthorized, targeting Invention Submission in order to penalize it and put it out of business. It argues that the Inventors' Rights Act of 1999 granted the PTO only limited authority to create a forum to publish complaints and responses to them and that the PTO's 2002 advertising campaign directed at Invention Submission went beyond this stated authorization. Therefore, it asserts that the campaign was illegal

agency action. Invention Submission relies heavily on *Industrial Safety Equipment Association, Inc. v. EPA*, 267 U.S. App. D.C. 112, 837 F.2d 1115 (D.C. Cir. 1988), to justify court review of this agency conduct under the APA.*

In *Industrial Safety*, the D.C. Circuit held that an agency's publication of a report evaluating respirators for their effectiveness in protecting against asbestos exposure was not an "agency action," as used in the APA, that was reviewable in court, even though the report recommended against using several respirators that had already been certified for use. Observing that its own precedent in

---

* In its brief, Invention Submission also seeks to justify the federal court's jurisdiction on its general equity jurisdiction to review unlawful actions of officials of an administrative agency, under the "*McAnnulty* Doctrine," citing *American School of Magnetic Healing v. McAnnulty*, 187 U.S. 94, 47 L. Ed. 90, 23 S. Ct. 33 (1902), and a plurality opinion in *Joint Anti-Fascist Refugee Committee v. McGrath*, 341 U.S. 123, 95 L. Ed. 817, 71 S. Ct. 624 (1951).

Invention Submission did not, however, bring this action against the PTO under the "*McAnnulty* Doctrine," but rather relied exclusively on the APA. In addition, it did not present this theory to the district court. In its brief, it argues that its reliance in the district court on *Industrial Safety* was the same as reliance on the "*McAnnulty* Doctrine," and because it relied on *Industrial Safety* before the district court, it therefore was, by implication, relying on the "*McAnnulty* Doctrine." But this syllogism mischaracterizes *Industrial Safety*. The court in *Industrial Safety* did not discuss the "*McAnnulty* Doctrine," a doctrine of equity jurisdiction apart from the APA, but rather was construing the APA itself. The discussion in *Industrial Safety* on which Invention Submission relied related to whether an agency's penalizing a party through adverse publicity was a "sanction" as defined by 5 U.S.C. § 551(10), which in turn was included as a component of "agency action," defined in § 551(13).

For these reasons, we do not address whether the "*McAnnulty* Doctrine," which Invention Submission raises for the first time on appeal, provides a basis for judicial review of unlawful agency action.

Hearst Radio, Inc. v. FCC, 83 U.S. App. D.C. 63, 167 F.2d 225 (D.C. Cir. 1948) (holding that "agency action," including its component term "sanction," does not include an agency's publication of a report, even if the report is false and amounts to libel causing actual damage), might be too restrictive, the D.C. Circuit explained that *Hearst Radio* created a problem because it failed "to . . . protect[] parties from false or unauthorized agency news releases." 837 F.2d at 1118. Inasmuch as the APA's definition of "agency action" includes agency sanctions, adverse publicity might be a "sanction" and therefore an agency action in certain circumstances:

> Thus, though adverse impact alone would not necessarily make agency publicity reviewable as a sanction, an agency intent on penalizing a party through adverse publicity, especially false or unauthorized publicity, might well merit a review of its action. This conclusion would be especially compelling if an information release caused "destruction . . . of property," or "revocation . . . of a license."

Id. at 1119 (quoting 5 U.S.C. § 551(10)) (citation omitted). The court found no facts in the record before it to justify an exploration of the interpretation that adverse publicity *might* amount to a sanction, and it concluded that the agency's publication of the asbestos respirator report was not an agency action under any other component of the APA definition that would make it reviewable by a court. *Id.*

Invention Submission's argument that the district court had jurisdiction thus rests on its advancement of an interpretation of "agency action" that would include – through the "sanction" component of the definition of

agency action – false or unauthorized advertising aimed at the plaintiff. *See* 5 U.S.C. §§ 551(10), 551(13).

The PTO argues that our recent decision in *Flue Cured Tobacco Cooperative Stabilization Corp. v. EPA,* 313 F.3d 852 (4th Cir. 2002), which does not construe "agency action" so broadly as might be indicated by *Industrial Safety,* controls the outcome of this case. In *Flue-Cured Tobacco,* we held that publication of an EPA report that classified environmental tobacco smoke as a potentially harmful human carcinogen was not an agency action reviewable under the APA, even though the report was allegedly arbitrary and capricious and created harm to the plaintiff. The PTO argues that even though Invention Submission was displeased with the advertising campaign, it cannot challenge the campaign in the courts because the campaign at most produced only "coercive pressures on third parties" and did not signal the "consummation of the agency's decisionmaking process so as to 'give rise to legal consequences, rights, or obligations.'" Addressing Invention Submission's reliance on *Industrial Safety,* the PTO argues that the D.C. Circuit's statements in that case were only posited as potential holdings and were no more than dicta. In addition, the PTO argues that our decision in *Flue-Cured Tobacco* followed the D.C. Circuit's decision in *Hearst Radio,* which the *Industrial Safety* decision criticized but did not overrule. For these reasons, the PTO contends that *Industrial Safety* is hardly persuasive precedent in this circuit.

Thus, the issue presented is whether the PTO's advertising campaign, allegedly aimed at Invention Submission to penalize it, constituted final agency action under the APA so as to be reviewable in court. *See* 5 U.S.C. §§ 702, 704. As a question of subject matter jurisdiction,

see Flue-Cured Tobacco, 313 F.3d at 857, we must address this issue before evaluating Invention Submission's complaint for whether it states a claim upon which relief can be granted, *see Steel Co. v. Citizens for a Better Env't,* 523 U.S. 83, 93-95, 140 L. Ed. 2d 210, 118 S. Ct. 1003 (1998), although these questions are close to one another in circumstances such as are presented in this case, *see Montana-Dakota Utils. Co. v. Northwestern Pub. Serv. Co.,* 341 U.S. 246, 249, 95 L. Ed. 912, 71 S. Ct. 692 (1951).

Section 704 of the APA provides that "final agency action for which there is no other adequate remedy in a court [is] subject to judicial review." 5 U.S.C. § 704. "Agency action" is defined to include "the whole or a part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof." *Id.* § 551(13). Although each of the constituent elements of "agency action" are in turn defined in § 551, at bottom, a final agency action as used in § 704 must be the "consummation of the agency's decisionmaking process . . . [and] must be [an action] by which rights or obligations have been determined, or from which legal consequences will flow." *Bennett v. Spear,* 520 U.S. 154, 178, 137 L. Ed. 2d 281, 117 S. Ct. 1154 (1997) (internal quotation marks and citations omitted); *Flue-Cured Tobacco,* 313 F.3d at 858. In *Flue-Cured Tobacco,* we explained that the persuasive value of agency reports or publications did not create a reviewable agency action under the APA because such reports or publications in themselves did not "create any rights, obligations, or consequences." 313 F.3d at 860. As we summarized it:

> We do not think that Congress intended to create private rights of actions to challenge the inevitable objectionable impressions created whenever

> controversial research by a federal agency is published. Such policy statements are properly challenged through the political process and not the courts.

Id. at 861. Those principles govern the disposition of this case.

In this case, the advertising material published by the PTO under the Inventors' Rights Act did not name or single out Invention Submission or any other invention promoter. The advertisements were facially neutral, aimed at all invention promotion scams – scams that the advertisements asserted were causing the public to lose $200 million each year. While the advertising did include a quotation from "Edward Lewis, Inventor," it quoted his experience with an unidentified company. Lewis is quoted as saying that "I spent $13,000 and three years 'spinning my wheels' with *a company* that promised my idea would make lots of money." (Emphasis added).

Invention Submission argues that the advertising campaign linked Invention Submission with Lewis because a journalist was able to interview Lewis and obtain the details of his experiences with Invention Submission and because the PTO made that possible by providing the journalist with Lewis' telephone number. Whether a third person could obtain sufficient information to link the two, however, does not taint the otherwise nonspecific advertising. The PTO did not publish any material that linked Lewis with Invention Submission, and it did not post Lewis' complaint on its web site.

"[T]he Administrative Procedure Act does not provide judicial review for everything done by an administrative agency," *Hearst Radio,* 167 F.2d at 227, and the PTO's

advertising campaign, including its conduct in giving a journalist Lewis' telephone number, is not the type of conduct that constitutes agency action that is reviewable in court under the APA. Other than the administrative decision to conduct an advertising campaign at all – a decision that Invention Submission has not challenged – the content of the campaign was not the consummation of any decisionmaking process that determined rights or obligations or from which legal consequences flowed. *See Bennett,* 520 U.S. at 178; *Flue-Cured Tobacco,* 313 F.3d at 858. Moreover, by looking at the campaign material, the public would see only that a consumer complained about an invention promoter and that invention promotion scams are causing the public $200 million in losses every year. Surely Invention Submission would not suggest that the attribution in the advertisements of $200 million in losses to patent scams was in any respect focusing the public's eye on it. The text of the advertising material can only be construed to be an effort by the PTO to inform inventors of the perils and potential scams that they might encounter during the patent process. Such advertising did not create "legal consequences" for Invention Submission or any other member of the public cognizable as final agency action, and the campaign itself did not determine any right or obligation of any party.

While Invention Submission points to the adverse effect it suffered as a result of the campaign, that effect was based on the fact that a journalist linked Invention Submission with Lewis, and such an indirect impact does not transform the agency's conduct into final agency action under the APA. *See Flue-Cured Tobacco,* 313 F.3d at 860. If the PTO's advertising made business more difficult for Invention Submission by raising the public's awareness,

the decisions of members of the public "are attributable to independent responses and choices of third parties" and cannot be imputed to the PTO for purposes of determining whether its conduct was a final agency action. *See id.* at 861.

Invention Submission argues that the advertising must not be considered only facially but also in light of the intent of PTO officials whose purpose was more clearly focused on Invention Submission. Such underlying intent of agency officials, however, does not convert the PTO's legal advertising material warning generally of invention promotion scams – the purpose for which Congress enacted the Inventors' Rights Act – into a PTO sanction imposed on Invention Submission that would be reviewable in court, especially when the material itself does not reference an intent to penalize any particular company. The measure of the advertising campaign must be made by the information conveyed by it to the public. As we have noted, the effect of the PTO's campaign so measured was not a regulatory effect reviewable in court, but at most an indirect effect from third parties and market forces.

In short, the PTO's advertising campaign warning the public about invention promotion scams was consistent with the PTO's commission granted by the Inventors' Rights Act of 1999, and in the circumstances of this case, the decision to pursue such a campaign, as well as its content, did not create a final agency action that is reviewable in court. As we said in *Flue-Cured Tobacco,* this type of a campaign is "properly challenged through the political process and not the courts." 313 F.3d at 861.

III

Because the conduct of the PTO that is the subject of this action did not constitute "final agency action" as used under the APA, the district court did not have subject matter jurisdiction to evaluate the complaint under Rule 12(b)(6) and should have dismissed this case under Rule 12(b)(1). We therefore vacate its order of October 30, 2002, as well as the supporting opinion, and remand with instructions to dismiss this case under Federal Rule of Civil Procedure 12(b)(1).

VACATED AND REMANDED WITH INSTRUCTIONS

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

JUDGMENT FILED: February 11, 2004

NO. 02-2461
CA-02-1038-A

INVENTION SUBMISSION CORPORATION,
a Pennsylvania Corporation

Plaintiff-Appellant

v.

JAMES E. ROGAN, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office, U. S. Department of Commerce, in his official capacity

Defendant-Appellee

Appeal from the United States District Court for the Eastern District of Virginia at Alexandria

---

In accordance with the written opinion of this Court filed this day, the Court vacates the judgment of the District Court. This case is remanded to the District Court for further proceedings consistent with the Court's opinion.

A certified copy of this judgment will be provided to the District Court upon issuance of the mandate. The judgment will take effect upon issuance of the mandate.

/s/ Patricia S. Connor
CLERK

229 F. Supp. 2d 498

Civil Action No. 02-1038-A

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA,
ALEXANDRIA DIVISION**

INVENTION SUBMISSION CORPORATION, Plaintiff, v. JAMES E. ROGAN, UNDERSECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE, U.S. DEPARTMENT OF COMMERCE, Defendant.

**October 30, 2002, Decided
October 30, 2002, Filed**

COUNSEL: FOR PLAINTIFF: Richard C. Sullivan, Jr., Reed Smith LLP, Falls Church, VA.

FOR DEFENDANT: Rachel C. Ballow, Asst. U.S. Attorney, U.S. Attorney's Office, Alexandria, VA.

JUDGES: Honorable Leonie M. Brinkema, United States District Judge.

OPINION BY: Leonie M. Brinkema

OPINION:

MEMORANDUM OPINION

This matter is before the Court on defendant's Motion to Dismiss plaintiff's complaint. For the reasons set forth below, the motion will be granted.

BACKGROUND

This case arises out of efforts by the United States Patent and Trademark Office ("PTO") to implement the Inventors' Rights Act of 1999 ("IRA"). 35 U.S.C. § 297

(2002). The IRA was designed to protect inventors who each year "lose tens of millions of dollars" to "invention promotion scams." 141 Cong. Rec. S14521 (Nov. 10, 1999).

The IRA mandates certain disclosures by invention promoters to their customers and provides for a private right of action against invention promoters. The IRA also requires the Commissioner of Patents to receive complaints regarding invention promoters and make these complaints available to the public. 35 U.S.C. § 297. Specifically, the IRA provides that the PTO

> shall make all complaints received by the Patent and Trademark Office involving invention promoters publicly available, together with any response of the invention promoters. The Commissioner of Patents shall notify the invention promoter of a complaint and provide a reasonable opportunity to reply prior to making such complaint publicly available.

35 U.S.C. § 297(d)(1).

In September of 2000, the PTO adopted regulations implementing the IRA, and set up a website on which to publish complaints received under the IRA. The regulations state that "the invention promoter named in the complaint will be notified of the complaint and given 30 days to respond. The invention promoter's response will be made available to the public along with the complaint." 37 C.F.R. § 4.4 (2002).

In August 2001, the PTO received a complaint from Edward Lewis regarding the plaintiff, Invention Submission Corporation ("ISC"), in which Lewis alleged that he paid ISC for help patenting and marketing his invention and received nothing in return. Lewis wrote in his complaint

"the representative indicated to me that I would make a lot of money with my invention and I have made nothing." Shortly after receiving Lewis' complaint, the PTO contacted Lewis and solicited his participation in a PTO media campaign regarding invention promotion companies. Lewis agreed to participate by appearing in television and print advertisements.

On January 10, 2002, the PTO issued a press release announcing a nationwide media campaign "to counter the flood of deceptive advertising aimed at America's independent inventors." The campaign included television and print advertisements that featured a picture of Lewis and his statement that he spent $13,000 and three years and "[hasn't] seen a penny." The advertisements, which ran from January through May of 2002, did not mention ISC by name. However, in response to a request from TechTV, a cable television network, the PTO disclosed contact information for Lewis to a TechTV reporter. After interviewing Lewis, TechTV ran a story in which it identified ISC as the invention promoter involved in the Lewis complaint.

On March 1, 2002, after the general media campaign had begun, but before Lewis' complaint was posted on the PTO website, the PTO gave ISC notice of the Lewis complaint. On March 26, 2002, Lewis attempted to withdraw his complaint, apparently after settling with ISC, and requested that the PTO discontinue using him in their media campaign. By letter that same day, John Calvert of the PTO informed Lewis that his request to withdraw his complaint was received and the complaint would not be posted on the website. The record establishes that Lewis' complaint never appeared on the website. The TV ads, however, continued to run until March or April of 2002.

Plaintiff alleges in its complaint that the PTO's actions with respect to ISC are motivated by bias. As evidence of this bias, plaintiff cites public statements by John Calvert, Acting Director of the Office of Independent Inventor Programs, in which he states that he hates "these invention marketing firms" and wants to "put these people out of business." None of these statements mention ISC specifically.

On June 17, 2002, plaintiff brought the instant complaint in which it claims that the PTO's use of Lewis' complaint in its media campaign was a final agency action which is reviewable under the Administrative Procedures Act ("APA"). Plaintiff seeks declaratory and injunctive relief.

DISCUSSION

A. Standard of Review

A motion to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure is properly granted where, assuming the facts in the complaint are true, it is clear as a matter of law that no relief could be granted under any set of facts that could be proved consistent with the allegations. *Hishon v. King & Spalding,* 467 U.S. 69, 73, 81 L. Ed. 2d 59, 104 S. Ct. 2229 (1984). Here, assuming the truth of plaintiff's allegations regarding the PTO's actions with respect to the Lewis complaint and the statements made by PTO officials, defendant makes two arguments for dismissal. First, defendant argues that the action taken by the PTO was not a final agency action within the meaning of the APA. Second, defendant argues that plaintiff's claim is moot because all advertisements and references to the Lewis complaint have been discontinued. Because we find that plaintiff's complaint fails to

state a cause of action under the APA, we decline to address defendant's mootness argument.

B. Administrative Procedures Act Claim

The APA authorizes review of "final agency action" for which there is no other adequate remedy in a court. 5 U.S.C. § 704 (2002). The Act defines agency action as "the whole or part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act." 5 U.S.C. § 551(13). An agency action will be considered final for purposes of judicial review if it is definitive and has direct or immediate legal force or practical effect, if the questions at issue are purely legal, and if immediate judicial review would foster agency and judicial efficiency. *Federal Trade Comm'n v. Standard Oil Co. of Cal.,* 449 U.S. 232, 239-40, 66 L. Ed. 2d 416, 101 S. Ct. 488 (1980).

Although plaintiff's complaint is extremely vague as to the specific final agency action at issue, in its opposition to the Motion to Dismiss plaintiff makes clear that it claims "the PTO's conduct in publicizing the Lewis complaint outside the neutral forum mandated by the IRA, together with its purported determination that Lewis was a victim of a 'scam,' was final agency action which is reviewable under the APA." Pl. Opp. at 14. We construe this explanation as an allegation that the PTO's actions were in the form of a sanction against ISC. Plaintiff also alleges that the PTO's actions are reviewable because they constitute a violation of the PTO's own regulations regarding inventor complaints.

At oral argument, plaintiff's counsel represented that its view of final agency action rests upon the reasoning in *Indus. Safety Equip. Assoc., Inc. v. EPA,* 267 U.S. App.

D.C. 112, 837 F.2d 1115 (D.C. Cir. 1988) ("*ISEA*"). In *ISEA*, the court held that an EPA report recommending industry use of only two types of asbestos protection respirators did not constitute final agency action because it was advisory in nature and, therefore, did not have a direct impact on the plaintiffs. 837 F.2d at 1121. In *dicta*, however, the court appeared to reject absolute immunity for agency publications because such immunity fails to protect parties from false or unauthorized agency news releases. *Id.* at 1118. The court said that "an agency intent on penalizing a party through adverse publicity, especially false or unauthorized publicity, might well merit a review of its action." *Id.* at 1119. Plaintiff contends that its complaint squarely presents the situation contemplated in ISEA.

Initially, we observe that this Court is not bound by dicta announced by an appellate court in another jurisdiction. However, even if we were bound by the ISEA dicta, the plaintiff would not prevail because it has failed to plead facts that would warrant judicial review of the PTO's actions.

First, the PTO's media campaign hardly supports plaintiff's view that the PTO was "intent on penalizing" the plaintiff because the plaintiff is not named anywhere in the PTO materials. Plaintiff argues that it was "inevitable" that ISC would be identified with these advertisements after the Lewis complaint was published on the PTO website, as required by the IRA. Had the PTO published Lewis' complaint on their website as required by the IRA, ISC would have been identified as the subject of a complaint, regardless of the media campaign. However, the Lewis complaint was never posted on the website. It was Lewis, not the PTO, who publicly identified the plaintiff to the media. ISC's allegation that the combination of

the two publications would create the impression that the PTO considered ISC a "scam" operation is too speculative. Even if such an impression were created, an impression alone cannot constitute agency action.

Plaintiff also cites to extemporaneous statements of PTO officials disparaging the invention promotion industry as a whole as evidence of the PTO's desire to sanction plaintiff. This argument is unpersuasive because such statements by agency officials do not, without more, constitute final agency action. *See Hazardous Waste Treatment Comm'n v. Reilly,* 291 U.S. App. D.C. 131, 938 F.2d 1390, 1396 (D.C. Cir. 1991); *Robinshaw Engineering, Inc. v. United States,* 891 F. Supp. 1134, 1150-51 (E.D. Va. 1995). Moreover, these statements, like the advertisements, do not mention the plaintiff in particular, but are directed at the industry generally. The PTO officials merely expressed a view, consistent with the Congressional intent behind passage of the IRA, that invention promotion scams harm individual inventors and ought to be eliminated. We find, therefore, that the PTO's general statements about the invention promotion industry cannot be considered equivalent to the agency imposing a sanction on the plaintiff.

Second, the PTO media campaign does not order the plaintiff or any third party to engage in or refrain from any action. In cases considering agency publication as a sanction, courts are careful to distinguish agency publications which are merely advisory in nature, and therefore not deemed agency action, from those that are agency action because they effect a parties' legal rights. *See ISEA,* 837 F.2d at 1120; *Pharmaceutical Mfrs. Asso. v. Kennedy,* 471 F. Supp. 1224, 1231 (D. Md. 1979). The PTO's actions in this case do not even rise to the level of advising the

public not to deal with the plaintiff. The advertisements merely alert the public to the PTO's concern about the invention promotion industry and how individual inventors may file complaints against invention promoters.

Finally, plaintiff has not alleged that it has been directly harmed by the defendant's actions. Even if plaintiff had alleged that its business had been harmed by the media campaign, the mere fact that activity by an agency has a "substantial impact" on a party, does not transform that activity into final agency action of which a party may seek judicial review under the APA. *ISEA*, 837 F.2d at 1121. Any harm to plaintiff's business based upon the PTO's statements about invention promoters in general would be indirect and the result of the reactions and choices of individual inventors. Such an indirect impact is not sufficient to support a finding of agency action. *See id.* (rejecting appellant's claim that an EPA report recommending certain asbestos protection respirators constituted an agency sanction because it would likely result in decreased consumer demand).

Plaintiff argues that the risk of a public connection between it and the PTO advertisement forced it to settle the Lewis complaint. Even if plaintiff felt forced to settle the Lewis complaint, such "harm" is also too indirect to render defendant's actions agency action. It is mere speculation that plaintiff would not have settled the Lewis complaint in the absence of the advertisements. As counsel admitted at oral argument, plaintiff settles the majority of complaints against it and may well have settled this complaint once it received the thirty-day notice of publication on the website, regardless of defendant's media advertising.

For all these reasons, we conclude that plaintiff's argument that its complaint states a claim for judicial review of the PTO's publications under the APA fails. The PTO's publications in this case were merely generic advertisements of agency programs not specifically naming the plaintiff. Any harm to the plaintiff was, at most, indirect.

In its opposition to defendant's Motion to Dismiss, plaintiff also argues that defendant's actions constitute final agency action because they were taken in violation of the IRA statute and agency regulations. However, plaintiff points to no specific regulation that the PTO has violated. Plaintiff complains that it was only notified of Lewis' complaint after the media campaign had begun and seven months after the complaint was received by the PTO. The regulations do not designate a time limit within which the PTO must notify the invention promoter of a complaint. Instead, they require that a promoter receive sufficient time to respond to the complaint. "The invention promoter named in the complaint will be notified of the complaint and given 30 days to respond." 37 C.F.R. § 4.4. Plaintiff was notified of the complaint and resolved it within thirty days of notification, thereby avoiding publication of the Lewis complaint on the PTO website.

Even if plaintiff could demonstrate that the defendant violated agency regulations, an agency's failure to follow its own regulations is only actionable under the APA if it results in a final agency action. A violation of agency regulations alone, absent some harm to the plaintiff, is not reviewable. As discussed above, plaintiff has not alleged any specific harm caused by the defendant's actions.

For these reasons we find that plaintiff's complaint fails to state a claim upon which relief can be granted and must be dismissed. An appropriate Order shall issue.

The Clerk is directed to forward copies of this Memorandum Opinion to counsel of record.

Entered this 30th day of October, 2002.

Leonie M. Brinkema

United States District Judge

Alexandria, Virginia

ORDER

For the reasons stated in the accompanying Memorandum Opinion defendant's Motion to Dismiss is granted and it is hereby

ORDERED that plaintiff's complaint be and is DISMISSED WITH PREJUDICE.[1]

The Clerk is directed to forward copies of this Order to counsel of record.

Entered this 30th day of October, 2002.

Leonie M. Brinkema

United States District Judge

Alexandria, Virginia

[1] This ruling renders moot all pending motions.

UNITED STATES COURT OF APPEALS

FOR THE FOURTH CIRCUIT

FILED
April 9, 2004

No. 02-2461
CA-02-1038-A

INVENTION SUBMISSION CORPORATION,
a Pennsylvania Corporation
Plaintiff-Appellant

v.

JAMES E. ROGAN, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office, U.S. Department of Commerce, in his official capacity
Defendant-Appellee

On Petition for Rehearing and Rehearing En Banc

The appellant's petition for rehearing and rehearing en banc was submitted to this Court. As no member of this Court or the panel requested a poll on the petition for rehearing en banc, and

As the panel considered the petition for rehearing and is of the opinion that it should be denied,

IT IS ORDERED that the petition for rehearing and rehearing en banc is denied.

Entered for a panel comprised of Judge Wilkins, Judge Niemeyer, and Judge Shedd.

For the Court

/s/ Patricia S. Connor
CLERK